



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, D.C. 20410-9000

THE GOVERNMENT NATIONAL  
MORTGAGE ASSOCIATION

MEMORANDUM FOR: All Participants in Ginnie Mae Programs

FROM: George S. Anderson, Executive Vice President

SUBJECT: Changes to Pool Certification and Recertification  
Thresholds

In a continuing effort to balance customer relations and program risk, Ginnie Mae is pleased to announce a change in the calculation of its Pool Final Certification and Recertification thresholds, and the amount of the Letter of Credit ("LOC") required of any issuer that exceeds those thresholds.

Ginnie Mae has reviewed its pool final certification and recertification policies and has determined that a loan level analysis, in addition to its current pool level analysis, would more accurately reflect its risk from pools overdue for final certification or recertification. Furthermore, Ginnie Mae also believes that amending its LOC formula to require that a LOC be based upon the Remaining Principal Balance ("RPB") of the loans preventing final certification or recertification will better reflect the risk to Ginnie Mae.

Ginnie Mae will continue to require the posting of a LOC for any pool that remains uncertified more than three years after origination or acquisition of the pool, which is in addition to the new thresholds discussed below. The amount of the required LOC for these pools will be calculated in the same manner as the LOCs for exceeding Ginnie Mae's final certification and recertification thresholds, as described below.

New Thresholds for Final Certifications

Effective March 1, 2000, Ginnie Mae will require a LOC to be posted for overdue final certifications if: 1) an issuer has more than 19 pools past due for final certification; and 2) that issuer fails two threshold tests as follows: a) the total number of pools or loan packages overdue for certification exceeds 15% of the total number of pools or loan packages issued by the issuer in the preceding 18 months; and b) the number of loans preventing certification of pools or loan packages overdue for final certification exceeds 4% of the original number of loans in pools or loan packages issued by the issuer during the past 18 months.

Example:

An issuer has issued a total of 100 pools and loans packages, containing a total of 1000 loans, during the preceding 18 months. The issuer has a total of 20 pools and loan packages overdue for final certification; 35 loans are preventing the certification of those pools.

Pool Level Threshold Test:

Overdue Pools and Loan Packages	20	
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Pools and Loan Packages Issued In the Preceding 18 Months	=	$\frac{20}{100} = 20\%$

Loan Level Threshold Test:

Loans Preventing Certification of Overdue Pools and Loan Packages	35	
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Original Number of Loans in Pools and Loan Packages Issued in the Preceding 18 Months	=	$\frac{35}{1000} = 3.5\%$

Under this example, the issuer fails the first test, since more than 19 pools are overdue for certification. The issuer fails the first threshold under the second test, since its pool level threshold test exceeds 15%. However, the issuer would pass the loan level threshold test, since the number of loans preventing certification is less than 4%. Therefore, the issuer would not be required to post a LOC.

New Thresholds for Recertifications

Effective March 1, 2000, Ginnie Mae will require a LOC to be posted for overdue recertifications if: 1) an issuer has more than 19 pools past due for recertification; and 2) that issuer fails two threshold tests as follows: a) the total number of pools or loan packages overdue for recertification exceeds 15% of the total number of pools or loan packages acquired by the issuer in the preceding 18 months; and b) the number of loans preventing certification of pools or loan packages overdue for recertification exceeds 4% of the total (as of the effective transfer date) number of loans in pools or loan packages acquired by the issuer during the past 18 months.

Example:

An issuer has acquired a total of 200 pools and loans packages, containing a total of 1600 loans, during the preceding 18 months. The issuer has a total of 40 pools and loan packages overdue for recertification; 80 loans are preventing the recertification of those pools.

Pool Level Threshold Test:

$$\frac{\text{Overdue Pools and Loan Packages}}{\text{Pools and Loan Packages Acquired in the Preceding 18 Months}} = \frac{40}{200} = 20\%$$

Loan Level Threshold Test:

$$\frac{\text{Loans Preventing Recertification of Overdue Pools and Loan Packages}}{\text{Number of Loans, at Transfer Date, in Pools and Loan Packages Acquired in The Preceding 18 Months}} = \frac{80}{1600} = 5\%$$

Under this example, the issuer fails the first test, since more than 19 pools are overdue for recertification. The issuer fails the first threshold under the second test, since its pool level threshold test exceeds 15%. The issuer would also fail the loan level threshold test, since the number of loans preventing certification is more than 4%. Therefore, the issuer would be required to post a LOC in the manner described below.

Calculation of LOC Amount

If an issuer fails both the pool level and loan level tests for either final certifications or recertifications, it will be required to post a LOC within the time specified by Ginnie Mae. The LOC must equal 100 percent of the aggregate RPB of the loans preventing final certification or recertification of the pools or loan packages. The RPB will be as of the date that Ginnie Mae notifies the issuer that the issuer exceeds Ginnie Mae's thresholds and that a LOC must be posted.

Revisions to Ginnie Mae Guide 5500.3 are attached to this memorandum. You may also access the Guide through Ginnie Mae's website at [www.ginniemae.gov](http://www.ginniemae.gov).

If you have any questions regarding this memorandum, please contact your Account Executive in the Office of Customer Service at (202) 708-1535.

Attachment - Guide 5500.3, Chapter 11-6

